

Placer Mining Corp  
1 Mine Road (PO Box 29)  
Kellogg, ID 83837

January 19, 2017

U.S. Department of Justice  
Environment and Natural Resources Division  
Environmental Enforcement Section  
Attn: Mr. Fred Phillips, Esquire  
P. O. Box 7611  
Washington, DC 20044

In re: Placer Mining Corp – EPA Settlement Offer for Sale or Operate Scenarios

Mr. Phillips,

Based on the conclusion of our meeting on December 20, 2016 in Seattle, Placer Mining Corp (PMC) would like to propose the following two settlement options and present the supporting rationale. First will be the sale to any buyer (currently Liberty Silver), and we will use its terms, including payment dates while factoring in the value of the remaining assets and second will be the scenario if the sale fails and PMC resumes mining operations. I will present some historical context within the rationale, not for the purpose of litigating the matter in proposal form but simply to explain our position.

**Option 1. - \$30 Million Sale to New Buyer (Liberty Silver), with disclosed retained assets**

In the absence of a current certification of amount due, I will assume a \$32 million debt broken down into \$16 million for the Wardner / Milo Creek Conveyance, \$700,000 per year for 21 years or \$14,700,000 in actual water treatment at the Central Treatment Plant, and \$1,300,000 in administrative fees and expert services expense.

**Estimated Asset Fair Market Values**

Claims being sold – historical Bunker Hill zinc and lead, and functioning mill	\$30,000,000
Retained Assets – Silver Ridge Claims	\$ 1,000,000
Caledonia Mine Claims	\$ 1,000,000
Crystal Stope (vug)	<u>\$ 1,000,000</u>
Total	\$33,000,000

**Fair Market Value** – An estimated price a knowledgeable, willing buyer and a knowledgeable, willing seller will complete a transaction, free from undue influence.

The procedural status of the cost recovery case is that it is dismissed without prejudice but can be refiled upon presentation of new evidence. The procedural status of the takings case is that it has been on hold, and was recently extended six months, at which time PMC will be required to propose a discovery and briefing schedule or risk the case being dismissed for lack of prosecution.

Starting with the premise that the EPA and DOJ have not obtained a judgment on the cost recovery case and PMC has not obtained a judgment on the takings case, I will assume there is uncertainty of outcome in each case. After 21 years of working with and against each other, we are essentially at a stalemate, which would support a 50% of claim or 50% of sale value to be equitable without assessing the merits of the cases. We simply “chop the pot” to use the poker term.

Our assessment is that if we win the takings case, the damages would be near \$16 million, and if we lose the cost recovery case, the damages will not include the Milo Creek expenses nor the administrative and expert

services expenses. This leaves damages agreed to by PMC of \$14,700,000 which almost half of the claimed amount and almost half of the current offer for the mine, less retained assets. PMC would like to perform the creek relocation that has a current cost of \$8 million that would reduce the cash settlement offer to \$6,700,000. Upon the completion of the creek relocation and payment of \$6,700,000 PMC requests the EPA remove its lien from the claims being sold to a new Buyer (Liberty Silver) and retained assets. The dates of the payments will match the dates PMC receives payments from New Buyer. PMC will accept the requirements of your letter dated October 20, 2016. Prior to the completion of the sale to Liberty Silver, PMC will arrange a meeting with the new buyer, the EPA, DOJ and PMC regarding the forward looking obligations with the understanding Placer only will be responsible for the historical cost recovery claims.

PMC further proposes that 20% of the after-tax cash flow or sale price of the retained assets, net of invested capital, paid to the EPA with a cap of \$8,000,000. MC would need to generate \$73,500,000 from the operations or sale of the retained assets that would be split \$8,000,000 to EPA and \$65,500,000 to PMC and accomplish a significant cost recovery for the EPA and DOJ. Both the Caledonia Mine and the Silver Ridge claims have the potential to be developed for greater than \$100 million after a \$100,000 drilling program for Caledonia and a \$2 million drilling programs for the 1,400 acres of the Silver Ridge. If retained assets are operated or sold for \$10 million EPA gets \$2 million PMC gets \$8 million. The 80/20 split, capped at \$8,000,000 protects the EPA and taxpayer from allowing PMC a windfall after agreeing to a 50% settlement.

Under this scenario, PMC dismisses with prejudice the takings case and the EPA enters a consent decree with PMC or PMC signs a confession of judgment on the agreed terms to allow the sale to a new buyer. Having a settlement with a firm number in place, fully settled, with the removal of the EPA lien would improve the chance of the current sale closing, and it would allow PMC to market the mine free of the EPA lien stigma for the first time. We would be much more likely to sell the mine, including retained assets, for \$100 million with a firm settlement in hand and the \$14,700,000 (assuming no creek relocation) to be paid from the proceeds. A settlement with PMC receiving less than this offer provides no incentive to move from the status quo, or to move the takings case towards completion.

## **Option 2. – Placer Mining Corp resumes small-scale mining**

In the event the current sale fails to close, PMC will resume mining on a small scale and grow as cash flow permits. In this scenario, the Bunker Hill Mine zinc claims and the retained properties of Silver Ridge, Caledonia and the Crystal vug all remain wholly owned by PMC until the terms of the settlement are fulfilled and the EPA releases its lien against all PMC and Hopper family assets. In this case, we are back to a modified version of the post-sale treatment of Option 1.

PMC would agree to all of the terms in the October 20, 2016 EPA letter regarding forward operations and maintenance at the mine site. PMC would still complete the relocation of the creek in Wardner with the \$8 million value. PMC would then pay 20% of the after-tax cash flow or sale price, net of invested capital, be paid to the EPA with a cap of \$6,700,000. PMC would need to generate \$33,500,000 from the operations or sale of the retained assets that would be split \$6,700,000 to EPA and \$26,800,000 to PMC and accomplish a significant cost recovery for the EPA and DOJ. The 80/20 split, capped at \$6,700,000 protects the EPA and taxpayer from allowing PMC a windfall after agreeing to a 50% settlement.

Sincerely,  
Placer Mining Corp



Nick Spriggs

Phone (b) (6)